

# QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

September 1, 2023

Volume 16 Issue 168

## Market Overview



## Signals Overview

Aggregator	CBI Reading
Flat	0

## Tonight's Research Points

- There were several interesting studies tonight. Most (not all) were bullish.

### *Short-term Outlook*

#### *The Bottom Line*

The Aggregator is neutral. That is where I am as well.

**Summary of Current Active Studies (see Letters from listed dates for details)**

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
<b>Active - Short Term</b>						
September 1, 2023	SPY 3 higher hi, lo, cls. Lower cls.	1-4 days	Bullish	1.30%	-0.80%	-1.70%
September 1, 2023	End of month. Close bottom of daily range	1-6 months	Bullish			
September 1, 2023	Jobs tomorrow. SPX > 200ma.	1-10 days	Bullish			
September 1, 2023	VIX < BB 2x. SPX < 20-high.	1-2 days	Bearish			
<b>Active - Long Term</b>						
August 15, 2023	20-low to 4-high.	1-20 days	Bullish	4.00%	-2.00%	-4.30%
August 14, 2023	NASDAQ Lagging	int term	Neutral			
May 22, 2023	SPX 50-day high < 1/2 SPX stocks > 50ma	1-12 months	Neutral			
February 2, 2023	SPX Golden Cross	int term	Bullish			
January 13, 2023	Whaley ADT5 > 73.66	1-12 months	Bullish			
March 14, 2022	Fed Hawkish / QE done	int term	Bearish			

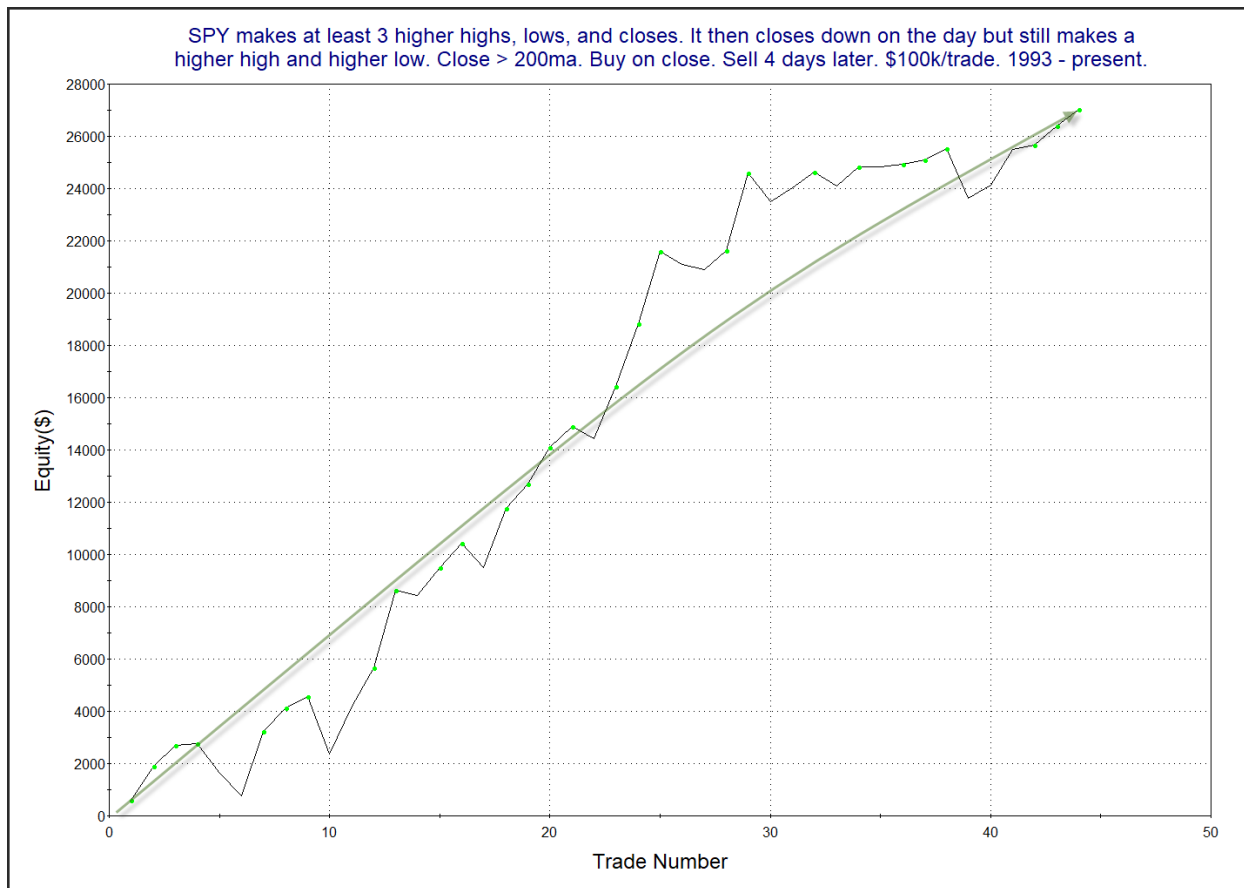
**The Evidence**

The recent rally mostly sputtered out on Thursday. The SPX lost 0.2%, the NASDAQ gained 0.1%, and the Russell 2000 declined 0.2%. Breadth was negative with the NYSE Up Issues % coming in at 46% and the Up Volume % at 42%. NYSE total volume rose substantially from Wednesday's level.

SPY finished lower, but it did manage to register a higher high and a higher low. The study below was last seen in the 1/18/23 letter and examines other times a pullback of this sort followed a series of higher highs, lows, and closes. I've updated the results.

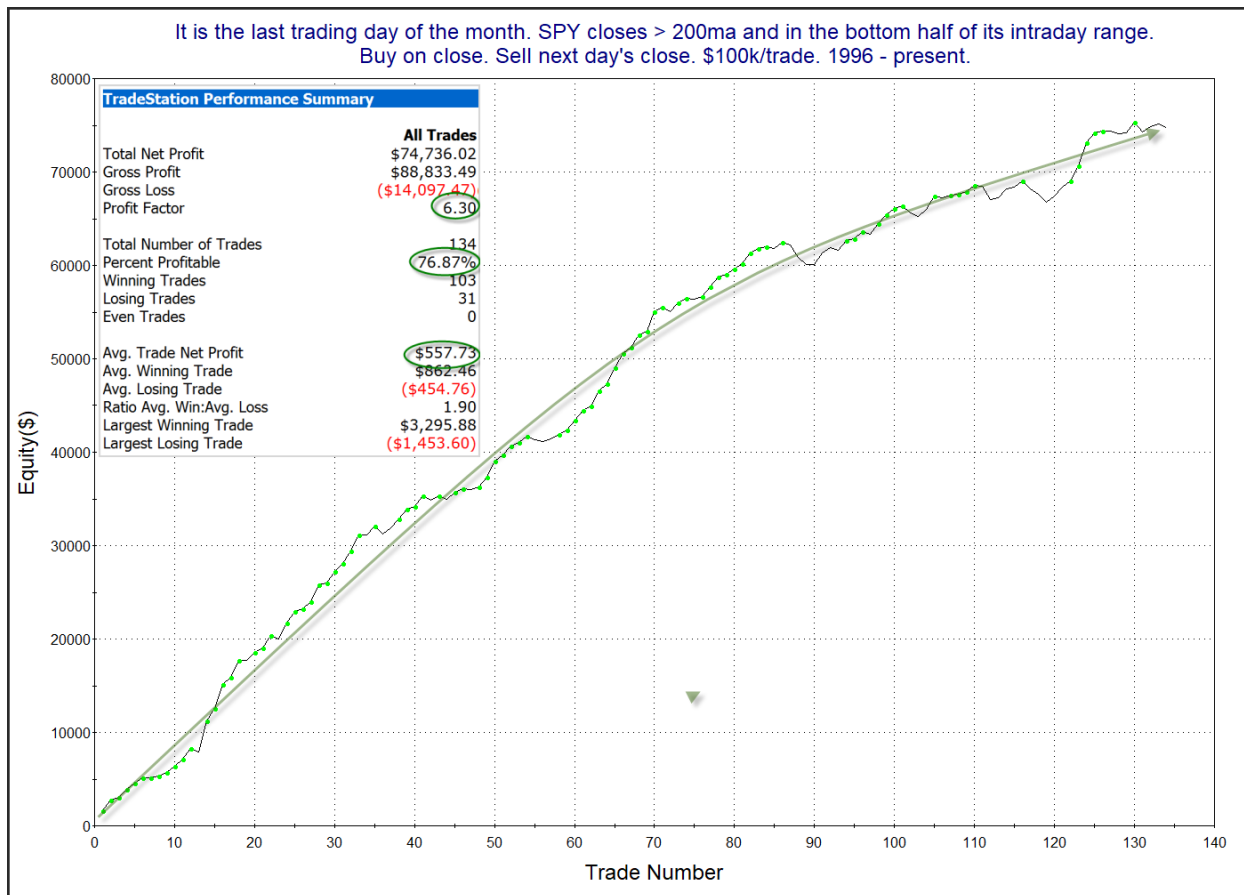
SPY makes at least 3 higher highs, lows, and closes. It then closes down on the day but still makes a higher high and higher low. Close > 200ma. Buy on close. Sell X days later. \$100k/trade. 1993 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	20,384.89	43	28	15	65.12	3,602.64	-4,604.60	1,279.39	-1,029.21	1.24	2.32	474.07
4	26,395.24	43	31	12	72.09	2,962.96	-2,191.22	1,175.73	-837.71	1.40	3.63	613.84
3	17,339.60	43	28	15	65.12	2,762.41	-2,640.33	955.37	-627.38	1.52	2.84	403.25
2	13,503.53	43	31	11	72.09	2,399.54	-2,291.63	723.39	-811.06	0.89	2.51	314.04
1	8,076.14	43	27	16	62.79	1,395.93	-1,576.28	511.78	-358.87	1.43	2.41	187.82

There appears to be a strong propensity for the move up to reassume. Below is a profit curve assuming a 4-day holding period.



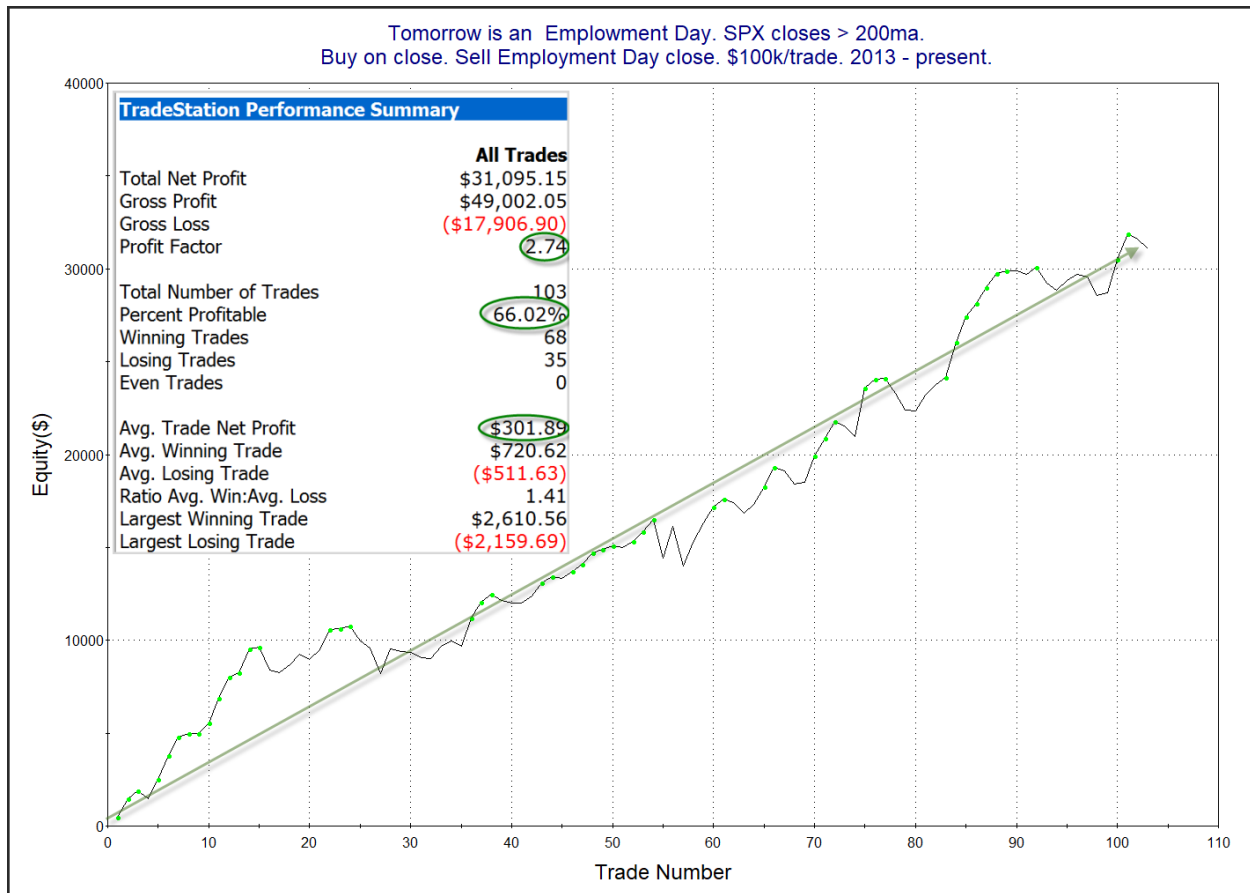
The persistent move higher is impressive. This study seems worth consideration. I have added it to the Active List tonight.

The 1<sup>st</sup> trading day of the month often plays out for the bulls. But the edge over time has been correlated to how SPY closed on the last day of the month. The study below looks at times the market closed in the bottom half of its range on the last day of the month.



The stats here are outstanding. Gains absolutely blow away losses in every category. Gross gains are 6.3x the size of gross losses. That's a very impressive stat when you are looking at a sample size of 134 instances. And despite a few recent failures, the curve has shown progress over a long period of time. This setup certainly appears to provide a 1-day bullish edge.

Of course Friday morning we will also see the release of the BLS Employment Report. That is a wildcard, and it could move the market strongly in either direction. But over the last 10+ years, when SPX has been in an uptrend, Employment Days have typically performed quite well. This can be seen in the study below.



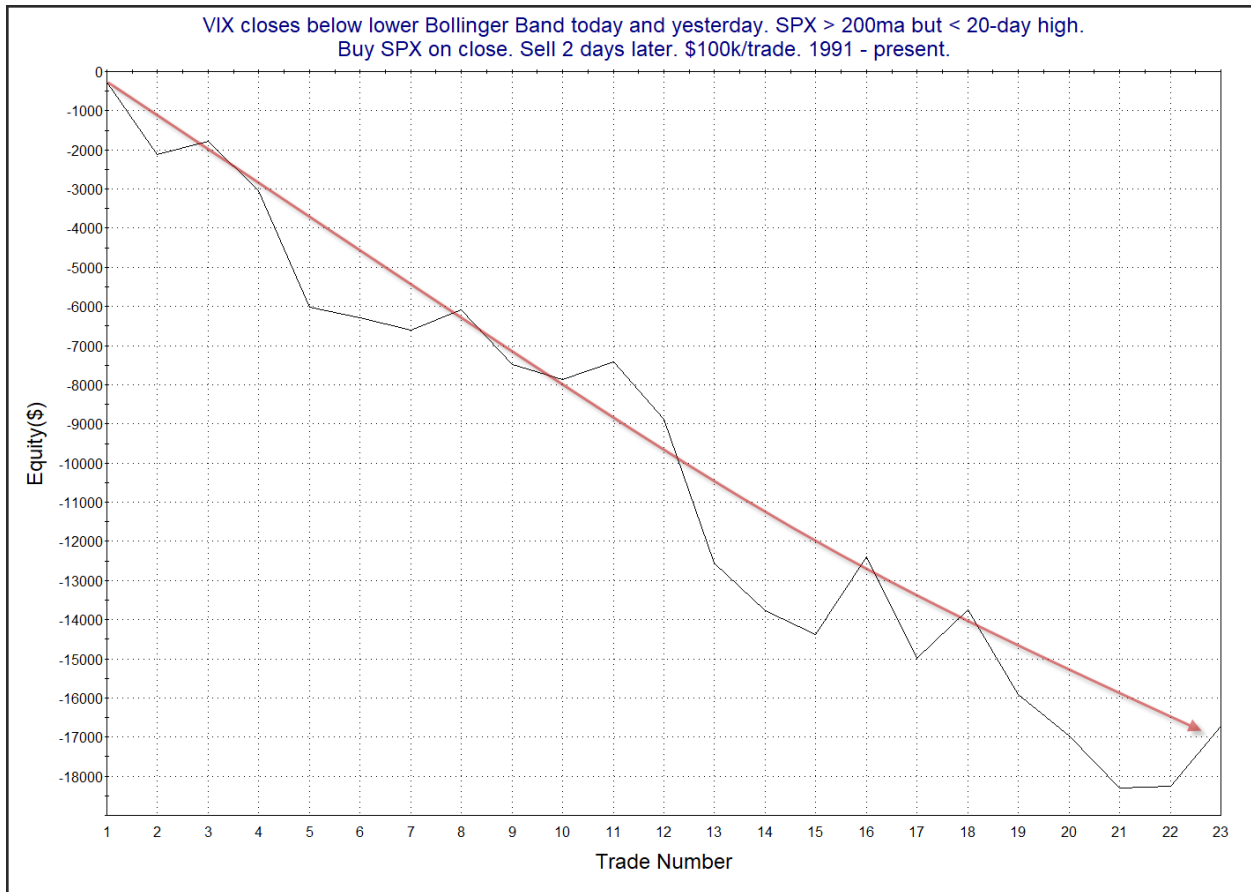
The numbers and the curve are impressive enough that I will also be including this study on the active list.

While the market has been rallying, the VIX has collapsed. The study below was last seen in the 7/3/19 Subscriber Letter. It looked at instances where the VIX closed below its lower Bollinger band for multiple days.

VIX closes below lower Bollinger Band today and yesterday. SPX > 200ma but < 20-day high.  
Buy SPX on close. Sell X days later. \$100k/trade. 1991 - present.

X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	-17,284.85	21	7	14	33.33	3,216.20	-5,999.92	1,834.13	-2,151.70	0.85	0.43	-823.09
4	-23,316.06	21	7	14	33.33	1,751.65	-6,497.20	739.38	-2,035.12	0.36	0.18	-1,110.29
3	-15,071.51	22	8	14	36.36	2,823.84	-4,447.72	1,101.91	-1,706.20	0.65	0.37	-685.07
2	-16,724.38	23	7	16	30.43	1,974.69	-3,674.84	869.62	-1,425.73	0.61	0.27	-727.15
1	-12,057.15	27	9	18	33.33	899.64	-3,644.52	459.12	-899.40	0.51	0.26	-446.56

The stats appear to suggest a short-term downside edge. Below is a look at the 2-day profit curve.



That is a persistent move lower. I have added this study as bearish evidence to the active list. So we have a mix tonight.

I have updated [the Aggregator chart](#) below.



With tonight's evidence considered, the green Aggregator Line rose above zero. Positive readings mean net expectations are for upside over the next few days. Meanwhile the black Differential Line held below zero. The negative Differential Line reading means that SPX is overbought versus recent expectations. So expectations are positive but SPX is overbought. This is considered a neutral configuration. Neutral configurations are visible on the chart whenever both lines fail to close on the same side of zero. Therefore, the Aggregator formation stayed flat at the close.

Based on the studies on the active list, expectations are slated to remain positive on Friday. This could change if compelling new bearish evidence emerges. Meanwhile, the Differential Pivot will be *inverted at 4515.09* on Friday. That is 0.2% *above* Thursday's close. An inverted pivot means that the Differential Line will cross through zero if SPX closes flat. In this case, SPX is going to need to close up at least 0.2% in order to remain overbought. Anything other than that and it will be considered *oversold* vs recent expectations as of Friday's close.

So the Aggregator formation is neutral. We had an interesting mix of evidence emerge tonight. But it was a mix. And while it is leaning bullish, SPX is already overbought. I'll see how Friday plays out before considering my next move. A surprise with the employment report could generate a strong reaction, and that might very well generate some compelling evidence to consider for Tuesday. Happy Employment Day, and have a great Labor Day weekend!

*Intermediate-term Outlook (2 weeks – 2 months) – updated 8/28– neutral*

## **Catapult and Capitulative Breadth Statistics**

[Catapult & CBI Presentation Link](#)

### *Open Catapult Triggers*

None

### *Broad Market Large Cap CBI – 0*

## **Additional New Trade Ideas**

*A full listing of system triggers can be found at the [numbered systems page](#) each night. I will cherry pick some of my favorite setups from the S&P 100 and ETF lists along with occasional other trade ideas to track below.*

None.

## **Current Open Trade Ideas**

None

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